

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL NOTE**

SB 2908 - HB 3234

March 26, 2012

SUMMARY OF BILL: Authorizes an existing municipality that does not operate a school system to create one. Removes the prohibition in Tenn. Code Ann. § 6-58-112 against existing cities or cities incorporated after May 19, 1998, from creating new school systems.

ESTIMATED FISCAL IMPACT:

On February 28, 2012, a fiscal note was issued estimating a fiscal impact as follows:

Other Fiscal Impact – Any municipality choosing to form a new municipal school district will become a local education agency (LEA) independent from the county LEA; will receive money from the state through the Basic Education Program (BEP); and will have a new local BEP maintenance of effort (MOE) requirement. BEP funding will shift from the county LEA to the new municipal LEA. The shift in BEP funding from the county to the new municipal LEA is unknown but is estimated to exceed \$2,000,000. The exact amount of the new local MOE is unknown and will depend on the number of students in the new LEA and the fiscal capacity of the new school district. Any increase in permissive local expenditures to fund the new school district's portion of the BEP local match is estimated to exceed \$2,000,000. The MOE for the county LEA will be reduced according to the number of students who leave the county LEA. The total increase in permissive local funding will likely be higher than the new MOE; however, this amount cannot be reasonably quantified or estimated.

State Board of Education rules state that new municipal school district must have at least 1,500 students in order to be created. Based on the required minimum number of students, the estimated impact is:

(CORRECTED)

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new school district's portion of the BEP local match is estimated to exceed \$3,139,500. The MOE for the county LEA will be reduced according to the number of students who leave the county LEA. The total increase in permissive local funding will likely be higher than the new MOE; however, this amount cannot be reasonably quantified or estimated.

Assumptions:

- No change in the BEP formula.
- The BEP currently funds each student at a rate of \$6,037 (\$3,944 state and \$2,093 local match).
- In future years the BEP will fund students at a higher per pupil rate.
- According to State Board of Education rules, there must be at least 1,500 students in the new municipal school district.
- BEP funding will shift from the county LEA to the newly created municipal LEA in an amount exceeding \$5,916,000 (1,500 x \$3,944).
- The increase in permissive local expenditures will exceed \$3,139,500 (1,500 x \$2,093). The BEP local match does not include expenditures above and beyond the local match. A majority of school systems in Tennessee are currently funding their systems with local dollars that are well above the BEP required local match. Any increase in permissive local expenditures above and beyond the required MOE cannot be reasonably quantified.
- Debt obligations, if any, will be transferred to the new city school system if the new system takes over existing county LEA school buildings or facilities. The amount of this debt transfer cannot be reasonably quantified.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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